

16 FOOD, DRINK & LODGING

An Educational Guide to Sales Tax in the State of Idaho

This brochure is intended to help the restaurant, bar and lodging industries understand the sales tax laws that apply to them. This information is based on the laws and rules in effect on July 1, 2005.

SALES

What taxes apply to sales by lodging, food, and drink providers?

Food and drink: The 5% state sales tax must be charged on the price of food or drinks furnished by any restaurant, cafeteria, hotel, diner, club, or any other place serving meals or drinks. Private clubs, country clubs, athletic clubs, fraternal and similar organizations also must charge sales tax when they sell food and drinks, even if they make sales only to members. Charges for preparing and serving customer-supplied food are also taxable.

Hotel/motel rooms rented for sleeping accommodations: Throughout Idaho, fees for sleeping accommodations are subject to tax of 7% (5% state sales tax plus 2% travel and convention tax). If the inn is within the boundaries of the Boise Auditorium District, the innkeeper also must collect a 4% Greater Boise Auditorium District tax. (Boise innkeepers must collect a total of 11% tax.)

Hotel/motel rooms rented for purposes other than sleeping: When an innkeeper rents a room for nonsleeping purposes, such as for a business meeting, the 2% travel and convention tax does not apply. Only the 5% state sales tax applies (and the 4% auditorium tax for innkeepers in Boise).

Bed and breakfast: If a single fee is charged for a bed and breakfast accommodation, the entire fee is subject to the 5% state sales tax, the 2% travel and convention tax, and in Boise, the 4% Greater Boise Auditorium District tax. If the price for the meal is billed separately to the customer (that is, the price of the meal on the invoice is listed separately from the price of the room), then only the room fee is subject to the three taxes. The meal is subject only to the 5% state sales tax.

Campground spaces for overnight accommodations: A total of 7% tax must be collected by campground operators renting spaces for overnight accommodations (5% state sales tax plus 2% travel and convention tax). The Greater Boise Auditorium District tax does not apply to campgrounds. Only the 5% sales tax applies to campgrounds operated by the state of Idaho or its political subdivisions.

Campground spaces for day use only: If the fee charged for using a campground does not include the right to stay overnight, only the 5% state sales tax applies.

Resort areas sales tax: In some resort areas of the state, cities may add an additional sales tax.

Do innkeepers remit all the different taxes on one return?

No. Separate tax returns are required even though the innkeeper is allowed to lump all the room taxes into one rate on his sales invoice. To apply for permits to collect state sales tax, travel and convention tax, and Greater Boise Auditorium District tax, contact any Idaho State Tax Commission office to obtain an Idaho Business Registration form.

When an innkeeper adds laundry, phone charges, or parking fees to a bill, are these fees taxable?

No. They are not taxable if they are listed separately on the customer's bill.

Are gratuities taxable?

Sometimes. A "gratuity" is something given voluntarily or beyond obligation. These fees fall into one of five categories:

1. When the buyer gives a cash gratuity directly to an employee, or adds an unsolicited gratuity to his bill, charge card voucher form or house account form, the gratuity is not taxable.
2. When a retailer adds an amount to a customer's bill and the customer is informed in writing on the front of the bill that he can decline to pay all or part of the amount, the gratuity is not taxable.
3. When a retailer adds an amount to the customer's bill and the customer is not informed in writing on the front of the bill that he can decline to pay all or part of it, the fee is taxable (because it is not given voluntarily).
4. When a gratuity is negotiated before the sale, such as in the case of a banquet, the entire fee is taxable. Because of the negotiation, the fee loses its identity as "gratuity" and becomes part of the purchase price of the meal.
5. Service charges added to the price of meals, drinks, or accommodations must be included in the taxable purchase price. Even if the service charges take the place of tips and are paid to the retailer's employees, tax is due because the amount is not "voluntarily" given by the customer.

Are government employees exempt from paying room taxes?

Generally, no. If the employee pays for the room and is reimbursed by his employer, tax applies. An exemption applies only when the government agency is billed and pays the room charges directly. Here are ways the innkeeper can document direct billing and payment by a government agency:

- **Checks issued by government agencies:** If the charges are directly billed to the U.S. government or an Idaho government agency (state, city, or county) and paid for by the agency's check, the taxes do not apply. The innkeeper must keep a copy of the check or the remittance advice from the government check to document the exempt sale. Idaho state, city, and county government agencies must give the innkeeper a completed form ST-101 for his records.
- **Credit card charges directly paid by government agencies:**
 - The U. S. Government Smart Pay **Purchasing Card**. This card has a picture of a pillar from the Capitol Building. It reads, "For Official U.S. Government Purchases Only, U. S. Government Tax Exempt." All purchases made with purchasing cards are billed directly to the agency and are exempt from sales tax.
 - The U. S. Government Smart Pay **Travel Card**, when the sixth digit of the card number is a 6, 7, 8, 9, or 0. These cards have a picture of a jet aircraft in front of the U. S. Capitol dome and are used by federal employees for official travel expenses. The card reads: "For Official Government Travel Only CPP." Unlike the purchasing card, purchases with this card may or may not be tax exempt. If the sixth digit of the card number is 1, 2, 3, or 4, the purchase is billed to the employee and the sale is *taxable*. If the sixth digit is 6, 7, 8, 9, or 0, the purchase is billed to the government agency, and the sale is *exempt* from sales tax.
 - Some Idaho government agencies issue tax exempt **Purchasing Cards** to employees in travel status. This Wells Fargo Bank MasterCard® has the name of the state agency and, in most cases, the name of the state employee using the card imprinted on the bottom. The card reads: "State of Idaho — Tax Exempt, Purchasing Card." Charges to the card are directly billed to the state agency and paid for by the agency. To document the exempt purchase, the innkeeper should keep a photocopy of the card, or have the employee complete form ST-104-HM documenting the information from the card.

- **Other Credit Cards:** If the charges are to a U. S. government or Idaho (state, county, or city) government employee using any other credit card which the employee claims is directly paid by his employer, he must make this claim on form ST-104-HM, Sales Tax Exemption on Lodging Accommodations. The innkeeper must make sure the form is fully completed and keep it to document the exempt sale.

Can employees from other states claim these exemptions?

No. Governments of other states are not exempt from Idaho sales taxes. Only charges to Idaho governments (such as state agencies, cities, or counties) and U. S. government agencies are exempt from Idaho tax.

Are any other customers exempt from these taxes?

Yes. Here are some *examples*:

- **Persons who continually occupy** a room or campground space for 31 or more days are exempt from room taxes. However, if a corporation rents a room for 31 or more days to be used by more than one traveling employee, room taxes must be charged. The exemption applies only when the same person rents the room for 31 days or more. The vendor must keep records (such as the guest registration card and billing document) to show that the exemption applies.
- **Foreign diplomats** who present a federal tax exemption card may be exempt from lodging taxes and taxes on meals. The retailer must examine the card to determine the extent of the exemption granted to the diplomat. He should document the exempt sale either by photocopying both sides of the card or by writing down all of the information from the card for his records.
- **Nonprofit hospitals and nonprofit schools** are exempt from paying sales tax on direct billing for meals and lodging. They must provide a completed form ST-101.

These are the most common exempt buyers you will encounter. If a customer other than those listed here claims to be exempt from sales tax, he must qualify for an exemption listed on form ST-101 and complete the form for your records.

PURCHASES

What can a restaurant or bar buy exempt from tax?

Sellers of food, meals, or drinks may buy goods for resale without paying tax if the purchased items are:

- For resale to their customers,
- Included in the fee charged to the customer, and
- Directly consumed by the customer in such a way that they cannot be reused.

Here are some *examples*:

- Food and drink ingredients
- Disposable containers (paper cups and plates, “to-go” containers and sacks, pizza cartons, chicken buckets, etc.)
- Disposable supplies that are used by the customer and are included in the price of the meal or drink (drinking straws, stir sticks, paper napkins, paper placemats, plastic eating utensils, toothpicks, etc.)
- Candy, popcorn, drinks, or food included in the price of other food, meals, and drinks (such as hors d’oeuvres served to patrons in a lounge)

To buy these goods without paying sales tax to the vendor, the innkeeper, restaurant, or campground must present a completed form ST-101 to the supplier.

What items are taxable when purchased by a restaurant or bar?

Items that are not included in the fee charged to the customer and are not directly consumed by the customer are taxable when purchased by a restaurant, bar, or similar establishment.

Examples of taxable goods include:

- Waxed paper, stretch wrap, foil, paper towels, dish soap, garbage can liners, or other products consumed by the retailer
- Linens, silverware, glassware, tablecloths, towels, and nondisposable napkins and cookware
- Furniture, fixtures, and other depreciable property
- Menus
- Any item that is available to the general public or employees, such as restroom supplies and matches
- Complimentary candy, popcorn, drinks, or food, when patrons are not required to buy other food, meals, or drinks in order to receive the complimentary goods

What items can an innkeeper or campground operator buy exempt from tax?

Hotels, motels, and campgrounds may buy goods without paying tax if the items are:

1. Consumed by their customers in such a way that they cannot be reused, and
2. Are part of the price the customer pays for the room or camping space.

Here are some *examples* of items that can be purchased exempt from tax if they are to be placed in motel rooms or provided to campground patrons:

- Facial tissue, toilet tissue, disposable laundry bags, and paper napkins
- Soap, lotion, shampoo, and conditioner
- Disposable drinking glasses, utensils, shoe shine cloths, and shower caps
- Candy, beverages, food, and newspapers furnished with the room
- Stationery, envelopes, note pads, and matches placed in rooms

To buy these goods without paying sales tax to the vendor, the innkeeper or campground operator must complete a form ST-101 for the supplier's records.

What items are taxable when purchased by an innkeeper or campground operator?

You must pay tax on any items that are:

1. *not* included in the room or campground charge, or
2. *not* directly consumed by the customer, or
3. *not* disposable

Examples of items you should pay tax on include:

- Bath towels, bath mats, garbage can liners, linens, and bedding
- Glassware, silverware, and china
- Furniture and fixtures
- Bibles, books, magazines, and directories
- Any items available to the general public

For more information, read:

Brochure #2	Use Tax
Brochure #4	Retailers
Brochure #5	Retailers and Wholesalers: Making Exempt Sales
Rule 28	Hotels, Motels, and Campgrounds
Rule 41	Food, Meals, or Drinks

For more information, contact:

- Idaho State Tax Commission: In the Boise area, 334-7660; Toll free, (800) 972-7660
- Hearing impaired: TDD (800) 377-3529
- tax.idaho.gov

This information was prepared by the Idaho State Tax Commission. It does not provide comprehensive explanations of Idaho tax laws or rules. Specific questions should be addressed to the Tax Commission or a qualified tax practitioner.